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Citadel Diversified Investment Trust

Citadel S-1 Income Trust Fund

Citadel HYTES Fund

Citadel SMaRT Fund

Citadel Premium Income Fund

Series S-1 Income Fund

Income & Equity Index Participation Fund

Energy Plus Income Trust

Citadel Stable S-1 Income Fund

Sustainable Production Energy Trust

Equal Weight Plus Fund

CGF Resource 2006 Flow-Through Limited Partnership

Financial Preferred Securities Corporation

Citadel SMaRT Fund

ANNUAL REPORT 2007

Citadel SMaRT Fund

Citadel SMaRT Fund (the "Fund" or "Citadel SMaRT") is a mutual fund investment trust which became listed on the Toronto Stock Exchange on September 14, 2001. The Fund has a termination date of December 31, 2013 or such earlier or later date as the unitholders may determine in accordance with the provisions of the Fund's Declaration of Trust.

During 2007, Citadel SMaRT paid total distributions of $3.36 per unit based on monthly distributions of $0.28 per unit compared to total distributions of $3.52 per unit for 2006. Distributions in 2006 included a special unit distribution of $0.16039 per unit payable to unitholders of record on December 31, 2006. This unit distribution, which was immediately consolidated into the Fund's previously issued and outstanding units, resulted in an increase to the adjusted cost base of each unit.

INVESTMENT HIGHLIGHTS:

	2007	2006	2005
Net Assets per Unit [1]	**$ 26.27**	$ 30.47	$ 36.90
Market Price per Unit [1]	**$ 24.98**	$ 30.00	$ 35.50
Trading Premium (Discount)	**(4.9%)**	(1.5%)	(3.8%)
Cash Distributions per Unit	**$ 3.360**	$ 3.360	$ 2.568
Trailing Yield [2]	**13.5%**	11.2%	7.2%
Market Capitalization ($ millions)	**$ 56.4**	$ 79.1	$ 108.7

[1] Net assets and market price per unit are based on year end values.

[2] Trailing yield is based on the last 12 months cash distributions declared expressed as a percentage of market price.

Management Report of Fund Performance

(March 20, 2008)

This annual report for the years ended December 31, 2007 and 2006 includes both the management report of fund performance, containing financial highlights, and the audited annual financial statements of Citadel SMaRT Fund.

Unitholders may contact us by calling toll-free 1-877-261-9674 or by visiting our website at www.citadelfunds.com to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

Citadel SMaRT's investment objectives are to provide its unitholders with monthly cash distributions and to return at the least the original issue price of the trust at termination of the Fund. In order to achieve these objectives, the Fund's investment manager actively manages a portfolio of oil and gas royalty trust units, combined with the capital protection of 70% of the original investment obtained through a forward sale of securities purchased with approximately 34% of the proceeds of the Fund's initial public offering.

RISK

There are a number of risks associated with an investment in Citadel SMaRT. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number

of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates and interest rates and include general business operation risks, any of which may affect the issuers' income and as a result reduce distributions to its unitholders and the value of its units. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks. The Fund's exposure to fluctuations in commodity prices and foreign currency conversion rates is also mitigated by its forward agreement which provides 70% capital protection at termination of the Fund.

INCOME TRUST TAX

Bill C-52, an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, was given Royal Assent on June 22, 2007 thereby passing into law the Government's imposition of a tax on income trusts starting in 2011. Since the announcement of the income trust tax in October 2006, takeover activity in the trust sector has been significant. We expect that a significant level of takeover activity will persist in the trust sector during the next few years as trusts consider tax mitigating restructuring alternatives leading up to 2011. The tax on income trusts does not directly impact Citadel SMaRT, however the tax will impact many of the holdings within its portfolio.

RESULTS OF OPERATIONS

Despite record high oil prices in 2007, oil & gas royalty trusts were hampered by the rising $Cdn and escalating costs as well as soft natural gas prices and the prospect of Alberta royalty rate increases. In addition, Citadel SMaRT continued to experience significant unit redemptions during the year. As a result, the Fund's net assets declined from $80.4 million at the end of 2006 to $59.4 million at December 31, 2007. On a net assets per unit basis, the Fund's portfolio declined from $30.47 per unit at December 31, 2006 to $26.27 per unit at the end of 2007.

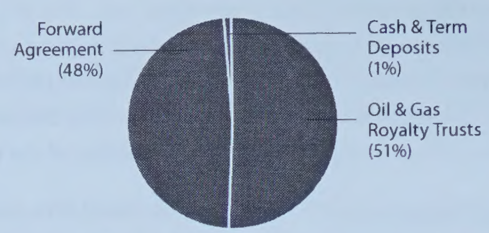
The Fund's market price also declined over 2007, closing at $24.98 per unit at December 31, 2007 down from $30.00 per unit at the end of 2006. Citadel SMaRT's market price decline plus monthly cash distributions produced a negative 5.8% total return for 2007, while the Fund generated a negative 2.5% total return on a net assets basis. By comparison, the S&P/TSX Energy Trust Index returned a positive 3.3% over the same period. The Fund's portfolio of oil and gas royalty trusts combined with the securities in the forward agreement was structured to provide unitholders exposure to the oil and gas sector while also providing some downside protection. As a result, the Fund trailed the performance of the S&P/TSX Energy Trust Index which is fully invested in the energy sector at all times.

Citadel SMaRT's total revenue fell to $4.5 million in 2007 from $7.1 million in of 2006 due to a reduction in distributions received from certain funds and a decline in the Fund's asset base from unit redemptions and repurchases during the year. Administrative and investment manager fees totaled $0.8 million in 2007 which was down from $1.2 million in 2006 due the Fund's declining asset base. Similarly, trailer and service fees of $0.5 million in 2007 were down from $0.7 million in 2006. Total general and administrative costs, including portfolio transaction costs and other expenses, were $0.25 million for 2007 compared to $0.27 million for 2006. Commencing in 2007, the Fund began expensing transaction costs which totaled $0.02 million in 2007 due to the implementation of the new accounting standard on financial instruments. After total expenses of $1.6 million, the Fund generated net investment income of $2.9 million or $1.17 per unit for 2007 compared to $5.0 million or $1.78 per unit for 2006. This decline in net investment income was primarily due to lower revenues in 2007.

The Fund realized gains of $1.1 million and $1.5 million in 2007 on the disposition of certain royalty trusts and on the sale of forward securities respectively in order to fund unit redemptions. However, these realized gains were offset by unrealized losses on the royalty trusts of $6.4 million and a reduction in the unrealized gains on the forward agreement of $1.1 million. For 2006, the realized gains on the sale of royalty trusts and forward agreement were $5.9 million and $7.6 million respectively, with unrealized losses on the royalty trusts of $19.0 million and a reduction in unrealized gains of $7.1 million on the forward agreement. As a result, total results of operations were negative $1.9 million or negative $0.78 per unit in 2007 compared to negative $7.7 million or negative $2.74 per unit in 2006.

During 2007, Citadel SMaRT paid total cash distributions of $8.2 million or $3.36 per unit compared to $9.4 million or $3.36 per unit for 2006. In 2006, the Fund also paid a special unit distribution of $0.16039 per unit for unitholders of record on December 31, 2006. This unit distribution was immediately consolidated into the Fund's previously issued and outstanding units, such that there was no impact to the net assets per unit.

Portfolio Holdings

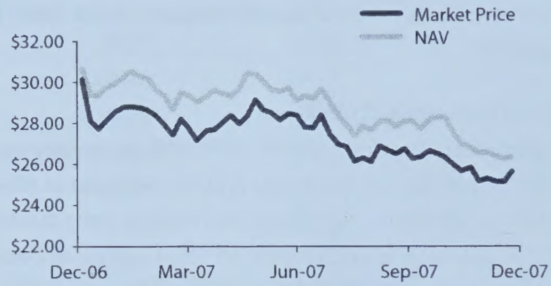


As at December 31, 2007

TRADING PREMIUM / DISCOUNT TO NET ASSET VALUE

For 2007, the Fund's market price traded at an average discount to its net asset value per unit of 5.0% compared to an average discount of 4.8% for 2006. With this discount, the Fund repurchased 10,500 units at an average cost of $26.48 per unit in 2007 under its mandatory repurchase program compared to 43,900 units at an average cost of $34.90 per unit in 2006. Under the Fund's mandatory repurchase program, the Fund is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%, subject to 1.25% per quarter of the units outstanding.

Trading Premium (Discount)



REDEMPTIONS

Unitholders of the Fund are entitled to redeem their units on January 31, April 30, July 31 and October 31 of each year for a price equal to the Fund's net asset value less $0.80 per unit. During 2007, unitholders exercised their right to redeem for a total of 367,790 units at an average cost of $28.08 per unit compared to 381,724 units at $36.15 per unit for 2006.

RECENT DEVELOPMENTS

Investment Fund Governance Legislation

During 2006, Canadian securities regulators passed legislation requiring independent oversight over the management of Canadian investment funds. National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") came into effect on November 1, 2006. Citadel SMaRT's three person Independent Review Committee ("IRC") was formed on April 1, 2007 and became fully operational on November 1, 2007. The main responsibility of the IRC is to govern over perceived conflicts of interest between investment funds, their managers and related third parties. Policies and procedures were adopted on November 1, 2007 and the Fund was in full compliance with NI 81-107 at that time.

New Accounting Standards

The Canadian Institute of Chartered Accountants issued Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges", Section 3861 "Financial Instruments - Disclosure and Presentation" and Section 1530 "Comprehensive Income" which became effective for financial statements relating to fiscal years beginning on or after October 1, 2006. These sections prescribe the criteria for recognition and presentation of financial instruments on the statement of net assets and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized. The Fund is required to designate its financial instruments into one of the following five categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities.

Section 3855 further establishes a standard for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for short securities. Prior to the implementation of this new standard, the fair value of financial instruments traded in an active market was generally based on the closing price for the day. Section 3855 also requires that portfolio transaction costs incurred in the purchase and sale of investments be charged to net income in the period incurred. Prior to this new standard these costs were added to the cost of the investments purchased or deducted from the proceeds of sale. Section 3855 has been applied prospectively without restatement of prior periods. An adjustment has been made to the opening net assets in the Statement of Changes in Net Assets in order to reflect the effect on investments held at December 31, 2006, of following section 3855 with respect to recording the fair value of investments at bid prices.

All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net income and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. All derivative financial instruments, including derivative features embedded in financial instruments or other contracts which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and therefore must be measured at fair value with changes in fair value recorded in net income. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net income. The Fund's forward agreement has not been designated as a hedge for accounting purposes and has classified it as held for trading assets and recorded the fair value of this instrument on the statement of net assets. Portfolio investments and forward agreement were classified as held for trading and all other financial assets were classified as loans or receivables and are accounted for on an amortized cost basis. All remaining financial liabilities were classified as other financial liabilities.

As outlined in National Instrument 81-106 Section 14.2, the net asset value ("NAV") of an investment fund is to be calculated in accordance with Canadian GAAP. The Canadian Securities Administrators ("CSA") granted temporary relief to investment funds from complying with Section 3855 for the purpose of calculating and reporting of NAV (other than for financial reporting purposes) to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements. This relief period has been extended until September 30, 2008. The CSA has proposed amendments to NI 81-106 that will permit funds to have two different net asset values; one for financial statements which will be prepared in accordance with Canadian GAAP (referred to as "net assets" or "net assets per unit"); and another for all other purposes (referred to as "net asset value" or "net asset value per unit"). Until that time, the Fund intends to calculate NAV under the old method, specifically using closing rather than bid prices, for all purposes other than financial statements. This Management Report of Fund Performance has been prepared based on the proposed amendments and the December 31, 2007 annual financial statements have been presented in accordance with the new accounting rules.

Section 1530, "Comprehensive Income", introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including changes in the fair value of the effective portion of cash flow hedging instruments. As required, prior periods have not been restated as a result of implementing Section 1530.

Future Accounting Pronouncements

The CICA issued three new accounting standards in 2007, section 1535, "Capital Disclosures", section 3862, "Financial Instruments – Disclosures", and section 3863, "Financial Instruments – Presentation". These standards become effective for the Fund in 2008. These new sections will place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose of this section will be to allow users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Sections 3862 and 3863 will replace section 3861, "Financial Instruments – Disclosure and Presentation", which will revise and enhance the disclosure requirements and will carry forward unchanged its presentation requirements.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations, including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange, stock market volatility, and market valuations of income and royalty trusts. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of these events anticipated by the forward looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, that we will derive therefrom. The forward looking statements contained in this annual report are expressly qualified by this cautionary statement. Except as may be required by applicable securities law, we undertake no obligation to publicly update or revise any forward looking statements.

RELATED PARTY TRANSACTIONS

Citadel CPRT Management Ltd. is the administrator of Citadel SMaRT, which is a member of the Citadel Group of Funds. CIFSG Funds Inc. provides administrative services to the administrators of the Citadel Group of Funds on a cost recovery basis. All non-fund specific costs are allocated among the Citadel Group of Funds on a relative net asset value basis.

Pursuant to the administrative services agreement, total annual administrative and investment management fees are based upon 1.1% of the aggregate average daily net asset value of the Fund, payable in cash monthly in arrears. The administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help the reader understand the Fund's financial performance. This information is derived from the Fund's audited annual financial statements for each year in the 5 year period ended December 31, 2007.

Net Assets per Unit ("NAPU")

	2007	2006	2005	2004	2003
NAPU, beginning of period	**$ 30.47**	$ 36.90	$ 31.01	$ 30.35	$ 26.69
Increase (decrease) from operations:					
Total revenue	**1.82**	2.53	2.41	2.67	2.88
Total expenses	**(0.65)**	(0.75)	(0.72)	(0.68)	(0.62)
Realized gains (losses)	**1.09**	4.82	6.61	3.27	(0.38)
Unrealized gains (losses)	**(3.04)**	(9.34)	0.03	0.31	3.96
Total increase (decrease) from operations	**(0.78)**	(2.74)	8.33	5.57	5.84
Distributions:					
From net investment income	**1.17**	1.78	1.69	1.99	2.26
From capital gains	**1.09**	1.58	0.88	3.16	–
Return of capital	**1.10**	–	–	–	0.24
Total cash distributions	**3.36**	3.36	2.57	5.15	2.50
NAPU, end of period	**$ 26.27**	$ 30.47	$ 36.90	$ 31.01	$ 30.35

NAPU and cash distributions per unit are based on the actual number of units outstanding at the time. The December 31, 2007 NAV per unit is based on bid prices and all prior NAPU are based on closing prices. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of NAPU since it does not reflect unitholder transactions as shown on the Statement of Changes in Net Assets and accordingly columns may not add.

At the end of 2006, the Fund declared a special unit distributions which is not reflected above. This unit distribution was immediately consolidated into the Fund's previously issued and outstanding units and as a result there was no impact to the net assets per unit.

Ratios and Supplemental Data

	2007	2006	2005	2004	2003
Net assets ($ 000's)	**$ 59,364**	$ 80,378	$ 113,021	$ 110,641	$ 148,254
Number of units outstanding	**2,259,388**	2,637,678	3,063,302	3,568,201	4,885,451
Management expense ratio	**2.22%**	2.13%	2.15%	2.16%	2.17%
Portfolio turnover ratio	**2.44%**	21.73%	14.27%	2.02%	0.00%
Trading expense ratio	**0.03%**	0.03%	0.05%	0.06%	0.06%
Closing market price	**$ 24.98**	$ 30.00	$ 35.50	$ 30.30	$ 28.36

Management expense ratio is based on total expenses (excluding portfolio transaction costs) for the period and is expressed as an annualized percentage of weekly average net assets during the period.

Portfolio turnover ratio is based on the lesser of cost of purchases or proceeds of disposition and is expressed as a percentage of the monthly average portfolio value. The portfolio turnover rate indicates how actively the Fund's investment manager manages the portfolio investments. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

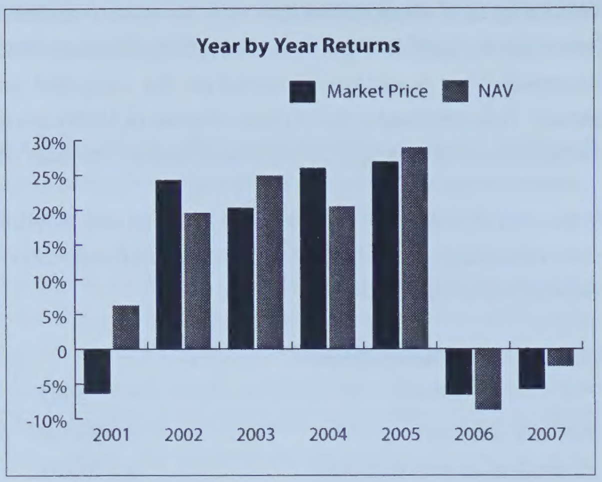
MANAGEMENT FEES

Pursuant to the administrative services agreement, total annual administrative and investment management fees are based upon 1.1% of the aggregate average daily net asset value of the Fund, payable in cash monthly in arrears. Bloom Investment Counsel, Inc., as investment manager to the Fund, provides investment management services to the Fund in exchange for a portion of the management fee. These fees represent payment for the administrative and investment management services provided to the Fund.

PAST PERFORMANCE

Citadel SMaRT's performance numbers represent the annual compound total returns over the period from inception in September 2001 to December 31, 2007 (except for returns of less than one year which are compound total returns). Total returns are based upon both the Fund's change in market price and net assets per unit plus the reinvestment of all distributions in additional units of the Fund.

Returns do not take into account sales, redemptions or income taxes payable that would have reduced returns. Past performance of the Fund does not necessarily indicate how it will perform in the future.



ANNUAL COMPOUND RETURNS

In the table below are the annual compound returns for Citadel SMaRT based on market price and net assets per unit with comparison to the S&P/TSX Capped Energy Trust Index for the periods indicated to December 31, 2007. The S&P/TSX Capped Energy Trust Index is a total return based on a market cap weighted index of energy Global Industry Classification Standards of the income trust sector. The Fund's portfolio of oil and gas royalty trusts combined with the securities in the forward agreement was structured to provide unitholders exposure to the oil and gas sector while also providing some downside protection. As a result, the Fund trailed the performance of the S&P/TSX Energy Trust Index in 2007 which was fully invested in the energy sector at all times.

	1 Year	3 Year	5 Year	Since inception
Citadel SMaRT (market price)	(5.83%)	3.22%	11.19%	11.41%
Citadel SMaRT (net assets)	(2.49%)	4.67%	11.51%	13.33%
S&P/TSX Capped Energy Trust Index	3.26%	14.02%	23.04%	23.19%

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2007

Net Assets: $59,363,510

Portfolio by Sector	% of Net Assets
Oil & Gas Royalty Trusts	**51.7%**
Forward Agreement	**48.5%**
Cash and Term Deposits	**0.6%**
Liabilities, net of other assets	**(0.8%)**
Total Net Assets	**100.0%**

TOP HOLDINGS (as a % of net assets)

Vermilion Energy Trust	10.9%	Bonavista Energy Trust	6.0%
ARC Energy Trust	10.6%	PennWest Energy Trust	5.3%
Enerplus Resources Fund	7.9%	Canetic Resources Trust	4.8%
NAL Oil & Gas Trust	6.2%		

The summary of investment portfolio may change due to ongoing portfolio transactions. Quarterly updates are available at www.citadelfunds.com.

Management's Responsibility Statement

The financial statements of Citadel SMaRT Fund have been prepared by Citadel CPRT Management Ltd. ("CPRT") and approved by the Board of Directors of CPRT. CPRT is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

CPRT maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of CPRT is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the independent directors of the Board.

The Audit Committee on behalf of CPRT and its Board of Directors has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
Citadel CPRT Management Ltd.

Darren K. Duncan
Chief Financial Officer
Citadel CPRT Management Ltd.

March 20, 2008

Auditors' Report to Unitholders

To the Unitholders of Citadel SMaRT Fund

We have audited the statements of net assets and investments of Citadel SMaRT Fund as at December 31, 2007 and 2006, and the statements of operations and comprehensive income and changes in net assets for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2007 and 2006 and the results of its operations and the changes in its net assets for the years ended December 31, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
March 20, 2008

Statement of Net Assets

As at December 31	2007	2006
Assets		
Investments, at market	$ **59,517,144**	$ 77,332,826
Cash and term deposits	**330,008**	3,459,565
Revenue receivable	**319,758**	465,919
Accounts receivable	**–**	48,536
	60,166,910	81,306,846
Liabilities		
Accounts payable and accrued liabilities	**170,770**	190,711
Distributions payable	**632,629**	738,550
	803,399	929,261
Net Assets representing Unitholders' Equity	$ **59,363,511**	$ 80,377,585
Units outstanding (note 3)	**2,259,388**	2,637,678
Net Assets per unit	**$ 26.27**	$ 30.47

see accompanying notes

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

Statement of Operations & Comprehensive Income

For the years ended December 31	2007	2006
Revenue		
Distribution income	$ 4,331,640	$ 6,999,084
Interest income	65,687	59,161
Securities lending income	77,678	30,094
	4,475,005	7,088,339
Expenses		
Administrative and investment manager fees (note 5)	813,415	1,169,839
Trailer and service fees (note 6)	531,207	660,259
Directors' fees	71,285	72,444
General and administration costs	68,256	101,002
Audit fees	26,090	22,357
Portfolio transaction costs (note 9)	23,056	–
Reporting costs	21,533	32,059
Trustee fees	16,170	15,887
Legal fees	12,654	15,048
Custodial fees	6,548	9,352
	1,590,214	2,098,247
Net investment income	2,884,791	4,990,092
Net realized gain on sale of investments (note 7)	1,150,595	5,880,245
Net realized gain on forward agreement (note 7)	1,531,728	7,636,323
Net change in unrealized gain (loss) on investments	(6,366,031)	(19,029,895)
Net change in unrealized gain (loss) on forward agreement	(1,129,047)	(7,137,870)
Total results of operations and comprehensive income	$ (1,927,964)	$ (7,661,105)
Results of operations per unit [1]		
Net investment income	$ 1.17	$ 1.78
Net realized gain on sale of investments	0.47	2.10
Net realized gain on forward agreement	0.62	2.72
Net change in unrealized gain (loss) on investments	(2.58)	(6.79)
Net change in unrealized gain (loss) on forward agreement	(0.46)	(2.55)
	$ (0.78)	$ (2.74)

[1] Based on the weighted average number of units outstanding.

see accompanying notes

Statement of Changes in Net Assets

For the years ended December 31	2007	2006
Net Assets – beginning of year	$ **80,377,585**	$ 113,020,555
Fair Value Adjustment: (note 2)		
Adjust January 1, 2007 to bid prices	**(135,890)**	–
Operations:		
Net investment income	**2,884,791**	4,990,092
Net realized gain on sale of investments	**1,150,595**	5,880,245
Net realized gain on forward agreement	**1,531,728**	7,636,323
Net change in unrealized gain (loss) on investments	**(6,366,031)**	(19,029,895)
Net change in unrealized gain (loss) on forward agreement	**(1,129,047)**	(7,137,870)
	(1,927,964)	(7,661,105)
Unitholder Transactions: (note 3)		
Issuance of trust units, net	**–**	423,057
Redemption of trust units	**(10,488,328)**	(14,034,821)
Repurchase of trust units	**(278,045)**	(1,531,933)
	(10,766,373)	(15,143,697)
Distributions to Unitholders: (note 8)		
From net investment income	(2,884,791)	(4,990,092)
From capital gains	(2,682,323)	(4,848,076)
Return of capital	(2,616,733)	–
	(8,183,847)	(9,838,168)
Net Assets – end of year	$ 59,363,511	$ 80,377,585
Distributions per unit	$ 3.3600	$ 3.5204

see accompanying notes

Statement of Investments

	December 31, 2007				December 31, 2006			
	Number of Units Held	**Cost**	**Market Value**	**% of Market**	*Number of Units Held*	Cost	Market Value	% of Market
ARC Energy Trust	*310,000*	**$ 3,541,633**	**$ 6,314,700**		*330,000*	$ 3,770,126	$ 7,359,000	
Bonavista Energy Trust	*125,000*	**3,579,295**	**3,547,500**		*55,000*	1,462,890	1,548,250	
Canetic Resources Trust	*215,000*	**2,644,447**	**2,861,650**		*261,000*	3,210,236	4,290,840	
Enerplus Resources Fund	*118,000*	**3,313,893**	**4,691,680**		*118,000*	3,313,893	5,980,240	
NAL Oil & Gas Trust	*320,000*	**2,835,607**	**3,696,000**		*320,000*	2,835,607	3,939,200	
Paramount Energy Trust	–	–	–		*266,000*	3,373,999	3,298,400	
PennWest Energy Trust	*121,000*	**1,890,162**	**3,123,010**		*126,000*	1,968,268	4,481,820	
Shiningbank Energy Income Fund	–	–	–		*300,000*	3,848,708	3,855,000	
Vermilion Energy Trust	*190,000*	**2,413,475**	**6,471,400**		*270,000*	3,429,675	9,450,000	
		20,218,512	**30,705,940**	**51.3%**		27,213,402	44,202,750	54.7%
Forward Agreement (Note 4)		**27,278,546**	**28,811,204**	**48.1%**		30,468,372	33,130,076	41.0%
Investments		**47,497,058**	**59,517,144**	**99.4%**		57,681,774	77,332,826	95.7%
Cash and Term Deposits		**330,008**	**330,008**	**0.6%**		3,459,565	3,459,565	4.3%
Total		**$ 47,827,066**	**$ 59,847,152**	**100.0%**		$ 61,141,339	$ 80,792,391	100.0%

All portfolio holdings are trust units, except for the Forward Agreement.

December 31, 2007 and 2006

1. **STRUCTURE OF THE FUND**

Citadel SMaRT Fund (the "Fund" or "Citadel SMaRT") is an open-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of July 19, 2001. The Fund commenced operations upon completion of its initial public offering on September 14, 2001. The term of the Fund continues until December 31, 2013 in accordance with the provisions of the Fund's Declaration of Trust.

2. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results may differ from these estimates. The following is a summary of the significant accounting policies.

(a) Cash and term deposits

Cash consists of cash on hand and short term bankers' acceptances with maturities of less than 90 days on acquisition.

(b) Valuation of investments

Investments are valued at fair value. The fair value of securities which are actively traded are valued at bid price as published on the recognized stock exchange on which the investment is listed or principally traded. Prior to January 1, 2007, investments were generally valued at the closing price. The fair value adjustment from the closing price as at December 31, 2006, to the closing bid price for investments at December 31, 2007, is reflected in the Statement of Changes in Net Assets. Investments not traded on the valuation date are valued at the average of the closing bid and ask prices. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date. The Forward Agreement is recorded at its fair value on the valuation date and changes in the fair value at each valuation date are recorded on the Statement of Operations and Comprehensive income.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada). As all taxable income was allocated to the unitholders, no provision for income taxes has been made in these financial statements.

(d) Investment income

Dividend income is recorded on the ex-dividend date, interest and securities lending income is recognized as earned and distribution income is recognized on the ex-distribution date. Capital gains and losses are recognized on the trade date.

(e) New Accounting Standards

The Canadian Institute of Chartered Accountants issued Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges", Section 3861 "Financial Instruments - Disclosure and Presentation" and Section 1530 "Comprehensive Income" which became effective for financial statements relating to fiscal years beginning on or after October 1, 2006. These sections prescribe the criteria for recognition and presentation of financial instruments on the statement of net assets and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized. The Fund is required to designate its financial instruments into one of the following five categories: (i) held for trading, (ii) available for sale, (iii) held to maturity, (iv) loans and receivables, or (v) other financial liabilities.

Section 3855 further establishes a standard for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for short securities. Prior to the implementation of this new standard, the fair value of financial instruments traded in an active market was generally based on closing price for the day. Section 3855 also requires that portfolio transaction costs incurred in the purchase and sale of investments be charged to net income in the period incurred. Prior to this new standard these costs were added to the cost of the invest-

ments purchased or deducted from the proceeds of sale. Section 3855 has been applied prospectively without restatement of prior periods. An adjustment has been made to the opening net assets in the Statement of Changes in Net Assets in order to reflect the effect on investments held at December 31, 2006, of following section 3855 with respect to recording the fair value of investments at bid prices.

All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net income and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. All derivative financial instruments, including derivative features embedded in financial instruments or other contracts which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and therefore must be measured at fair value with changes in fair value recorded in net income. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net income. The Fund's forward agreement has not been designated as a hedge for accounting purposes and has classified it as held for trading assets and recorded the fair value of this instrument on the statement of net assets. Portfolio investments and forward agreement were classified as held for trading and all other financial assets were classified as loans or receivables and are accounted for on an amortized cost basis. All remaining financial liabilities were classified as other financial liabilities.

Section 1530, "Comprehensive Income", introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including changes in the fair value of the effective portion of cash flow hedging instruments. As required, prior periods have not been restated as a result of implementing Section 1530.

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, revenue receivable, accounts receivable, investments, accounts payable and accrued liabilities, and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

(f) Future Accounting Pronouncements

The CICA issued three new accounting standards in 2007, section 1535, "Capital Disclosures", section 3862, "Financial Instruments – Disclosures", and section 3863, "Financial Instruments – Presentation". These standards become effective for the Fund in 2008. These new sections will place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose of this section will be to allow users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Sections 3862 and 3863 will replace section 3861, "Financial Instruments – Disclosure and Presentation", which will revise and enhance the disclosure requirements and will carry forward unchanged its presentation requirements.

3. UNITHOLDERS' CONTRIBUTION

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable redeemable units of beneficial interest.

Issued and outstanding	**December 31, 2007**		December 31, 2006	
	Number	**Amount**	Number	Amount
Trust units – beginning of year	**2,637,678**	**$ 37,062,975**	3,063,302	$ 52,206,673
Unit distribution and consolidation	–	–	–	423,057
Repurchase and redemption of trust units	**(378,290)**	**(10,766,373)**	(425,624)	(15,566,755)
Trust units – end of year	**2,259,388**	**$ 26,296,602**	2,637,678	$ 37,062,975

The weighted average number of units outstanding for the year ended December 31, 2007 was 2,464,718 units (2006 – 2,804,124 units).

Citadel SMaRT declared a special unit distribution of $0.16039 per unit to unitholders of record on December 31, 2006, which was payable in units of the Fund. These unit distributions were immediately consolidated into the Fund's previously issued and outstanding units.

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% in each calendar quarter of the total number of units outstanding at the beginning of such quarter. For the year ended December 31, 2007, Citadel SMaRT repurchased 10,500 trust units at an average cost of $26.48 per unit (2006 – 43,900 units at an average cost of $34.90 per unit) under this repurchase program.

Unitholders have the right to redeem their units on January 31, April 30, July 31 and October 31 of each year. Unitholders who redeem are entitled to a redemption price per unit equal to the Fund's net asset value per unit less $0.80 per unit. For the year ended December 31, 2007, a total of 367,790 units were redeemed and cancelled at an average cost of $28.08 per unit (2006 - 381,724 units at an average cost of $36.15 per unit).

4. FORWARD AGREEMENT

The Fund has entered into Forward Agreements with Merrill Lynch Canada Inc. ("ML") and Bank of Montreal ("BMO") pursuant to which ML and BMO will pay the Fund an amount which equals $17.50 for each unit currently outstanding (70% of initial capital) on the termination date in exchange for the Fund delivering to ML and BMO the equity securities in a forward portfolio. The securities in the forward portfolio had a cost of $27.3 million at December 31, 2007 and were comprised of common shares of Cognos Inc. (452,595 shares), Kinross Gold Corp. (1,195,303 shares) and HudBay Minerals Inc. (201,012 shares). The securities in the forward portfolio had a cost of $30.5 million at December 31, 2006 and were comprised of common shares of Cognos Inc. (552,928 shares), Kinross Gold Corp. (1,195,303 shares) and HudBay Minerals Inc. (201,012 shares). Securities in the forward portfolio have been pledged to ML and BMO as security for the obligations of the Fund under the Forward Agreements. The Forward Agreements are each a direct obligation of ML and BMO, respectively, both companies with credit ratings of Moody's – A1 or better. The Forward Agreements may be physically or cash settled at the option of the Fund. The Forward Agreements may be settled in whole or in part in respect of any valuation date by the Fund tendering to ML or BMO securities of the forward portfolio at a price equal to the current market value of the Forward Agreements.

5. ADMINISTRATIVE AND INVESTMENT MANAGER FEES / DIRECTORS' FEES

Citadel CPRT Management Ltd. ("CPRT") is the administrator of the Fund therefore a related party to the Fund. Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, total annual administrative and investment management fees are based upon 1.1% of the aggregate average daily net asset value of the Fund, payable in cash monthly in arrears. For the year ended December 31, 2007, the Fund recorded an expense of $813,415 (2006 - $1,169,839) in respect of administration and investment management fees earned during the period. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2007, included in accounts payable were amounts owed from CPRT of $11,669 (2006 - $48,536 in accounts receivable).

Each year, directors of CPRT are paid a total of $62,500 in cash as payment for their annual retainers.

6. TRAILER AND SERVICE FEES

Citadel SMaRT pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. An annual service fee of approximately 0.43% is payable by the Fund to ML and BMO on the guaranteed value of the Forward Agreements. An additional annual service fee of 0.25% and 0.10% is payable to ML and BMO, respectively, relating to costs incurred by them under the Forward Agreements. For the year ended December 31, 2007, the Fund recorded an expense of $276,486 (2006 - $390,272) relating to trailer fees and $254,721 (2006 - $269,987) relating to service fees.

7. INVESTMENTS

The net realized gain on the sale of investments was determined as follows:

For the years ended December 31	2007	2006
Proceeds from the sale of securities	$ 10,261,889	$ 24,400,181
Less cost of securities sold:		
Investments at cost – beginning of year	27,213,402	38,595,578
Investments purchased during year	2,116,404	7,137,760
Investments at cost – end of year	(20,218,512)	(27,213,402)
Cost of investments disposed of during year	9,111,294	18,519,936
Net realized gain on sale of investments	$ 1,150,595	$ 5,880,245

The net realized gain on the sale of forward agreement was determined as follows:

For the years ended December 31	2007	2006
Proceeds from the sale of securities	$ 4,721,554	$ 22,207,658
Less cost of securities sold:		
Investments at cost – beginning of year	30,468,372	28,289,690
Investments purchased during the year	–	16,750,017
Investments at cost – end of year	(27,278,546)	(30,468,372)
Cost of investments disposed of during year	3,189,826	14,571,335
Net realized gain on sale of forward agreement	$ 1,531,728	$ 7,636,323

8. DISTRIBUTIONS

The Fund pays out monthly cash distributions based upon investment income received by the Fund less estimated expenses. For the years ended December 31, 2007 and 2006, the Fund also distributed a portion of its realized capital gains and/or return of capital.

For the years ended December 31	2007	2006
Net investment income for the year	$ 2,884,791	$ 4,990,092
Capital distributed	5,299,056	4,425,019
Cash distributions	8,183,847	9,415,111
Special unit distribution	–	423,057
Total distributions	8,183,847	9,838,168
Cash distributions per unit	$ 3.36	$3.3600
Special unit distribution per unit	–	0.1604
Total distributions per unit	$ 3.36	$3.5204

9. PORTFOLIO TRANSACTION COSTS

For the year ended December 31, 2007, the Fund incurred portfolio transaction costs of $23,056 (2006 – $31,368) and they are recorded separately in the Statement of Operations for 2007 only, as per Note 2(e).

10. SECURITIES LENDING

The Fund engaged in securities lending during 2007 and as at December 31, 2007, the Fund had lent out $8.0 million (2006 – $16.9 million) of its portfolio securities with $8.4 million (2006 – $18.2 million) of collateral in primarily federal and provincial bonds.

11. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

The fair value of investments are valued in accordance with Section 3855 for financial statement purposes which is based on the bid price. Pursuant to temporary relief by the CSA, the Fund calculates net asset value using closing prices for all purposes other than financial statements. The difference between the reported net asset value per unit and net assets per unit at December 31, 2007 is as follows:

Reported net asset value per unit	$ 26.32
Adjustment to reflect bid pricing (Note 2)	(0.05)
Net assets per unit per Statement of Net Assets	$ 26.27

Corporate Information

ADMINISTRATORS
Citadel Diversified Management Ltd.
Citadel S1 Management Ltd.
Citadel TEF Management Ltd.
Citadel CPRT Management Ltd.
Citadel Series Management Ltd.
Equity Lift Management Ltd.
N.A. Energy Management Inc.
Stable Yield Management Inc.
Sustainable PE Management Inc.
Equal Weight Management Ltd.
CGF Funds Management Ltd.
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Stephen Allan – Chairman
John Watson
Duane Keinick

DIRECTORS AND OFFICERS
Harold P. Milavsky - Chairman of the Board
Micheline Bouchard - Director
Doug D. Baldwin - Director
Kent J. MacIntyre - Director
James T. Bruvall - Director and Chief Executive Officer
Darren K. Duncan - Chief Financial Officer
Joseph F. MacDonald - Executive V.P. Sales & Marketing

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STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange
Citadel Diversified Investment Trust units: **CTD.un**
Citadel S-1 Income Trust Fund units: **SDL.un**
Citadel HYTES Fund units: **CHF.un**
Citadel SMaRT Fund units: **CRT.un**
Citadel Premium Income Fund units: **CPF.un**
Series S-1 Income Fund units: **SRC.un**
Income & Equity Index Participation Fund units: **IEP.un**
Energy Plus Income Trust units: **EPF.un**
Citadel Stable S-1 Income Fund units: **CSR.un**
Sustainable Production Energy Trust units: **SPU.un**
Equal Weight Plus Fund units: **EQW.un**
Financial Preferred Securities Corporation shares: **FPR.pr.a**
CGF Resource 2006 Flow-Through Limited Partnership units: not listed

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